

## **Barry K. Fingerhut**

I am the managing partner of a new venture capital fund. It is called Synconium Partners. It has been formed to make investments in companies that offer products and services that will benefit individuals with disabilities add ease of use markets. We expect the partnership will help to create a new clearing house of entrepreneurial investment opportunities within the industry, and the goal of the partnership is to produce outstanding investment result for limited partners by investing in products and services that add values to the life of the ultimate consumer.

What we provide is the missing link. What is missing so far that I have seen in the analysis that I've done from an investment perspective is the absence of private capital. Private capital had not been really involved in this industry. This first list covers a number of the statistics, the size, the demographics of this market.

- DOL estimates that persons with disabilities have an aggregate current annual income of nearly \$700B and \$175B in discretionary spending power.
- U.S. adults over 50 are estimated to have over \$1.7 trillion in discretionary spending and \$17 trillion of net worth
- Over the next two decade, the phenomenon of aging “baby boomers” will cause these markets to converge and expand dramatically.
- DOL reports that the “over 65 segment” of the U.S. population totaled 36.3 million people (12% of the total population) in 2004. This group will grow to 71.5 million people (20% of the total population) by 2030.
- Older adults experience greater incidence of disability and “ease of use” issues; the Census Bureau currently reports 14 million older Americans (41.9% of the total older adult population) have one or more disabilities.

Here's the really interesting perspective I think from the point of view of the investment community, and that is, with some exceptions, unlike the majority of the new U.S. markets that have been created through new technologies, significant portions in this industry had not occurred that way. Frankly, they've resulted from the growth of two things. The first is being progressive governmental legislation. We have no clear path to achieve standards and then the follow-up funding from the government in different agencies to provide these services to people for in products service offering and also in income support for people who are in need.

So what the environment looks like today in the states is that a vast array of federal, state and local agencies actually serve the majority of services that are in the market place and have resulted in enormous inefficiencies in products and service deliveries. I am citing a 2005 GAO study that describes more than 20 federal agencies operating over 200 programs with a lot of overlap and a lot of inefficiencies.

Additionally, a continuing issue of bureaucratic standards, as long as the government remains the largest funding source, is also part of the current environment. With very few exceptions, and I think it's pretty obvious for people who have been in this population, most large companies have viewed the field to date as one of only liability in meeting standards, with the 508 compliance issue as an example.

Now, where we will go from here and what is the environment looks like right now? I believe the spending levels will continue to increase, at least on the part of the federal government and states in most areas. We are at a point where most realize that dramatic changes are occurring in the population and the population maturation with significantly higher incidents are disabilities. Now with that, the older population is significantly healthier than in the past, the incidence is still much higher than in the general population. With that, I think we're about to see a new reality. Now the new reality would be caused by the fact that the working age population may not accept this ever increasing tax burden, the burden of supporting the older generation. Therefore, the result would be one of two things. It would either be the government's funding and budgets will decline or don't grow, or there will be a significant need and will hopefully be matched by a much greater productivity that's needed in services and product deliveries throughout the interaction with the private sector.

Therefore, instead of new technologies essentially creating this industry, new technologies will in effect transform the industry. It will do it to improve products and cost productivities, and I think it would do it with the advent of having actual capital being involved in looking for new products and services. Additionally, I would say that

from the role that I play, being involved on the board of the non-profit help and human service provider in New York City, that I am finally beginning to see evidence of a much more enlightened non-profit attitude towards the for-profit operations that I've ever seen before. So in effect I think what we're looking at today is that we're in the very early stages of significant venture capital investment to support these changes and help create a significant new entrepreneurial phase of development in the industry. From our perspective, what does this mean? We have areas that we would focus on. I think they are to some extent self-explanatory, yet there are pieces and each that merit a lot of considerations. The first one is clearly significant. It is looking at investing and improved product and service deliveries within areas of sight, hearing and mobility for both the market of disabilities and the ease of use market. Additionally, we are looking at and will invest in companies that have new technologies involved in improving IT and HR productivity for all major service providers to allow much greater productivities so that the agencies can do what they are supposed to do which is to serve incremental people.

The third area is one that I find particularly troubling, and that is that there is significant data collection and mining that involves all aspects of the disability and ease of use markets from all types of statistics, through all types of funding and RFP opportunities which exist, but not in one place. They exist, but not in a place that is applicable and accessible to all agencies. People who are looking for funding and I think that is a huge value addition. The last two would be continuing to invest in companies which are doing really innovative looks and business models to assessment, training, certification, and job placement for people who are on public or private disabilities support. The last really is more of a function of how we look at what the venture capital partnership will look like. It will not be a typical partnership, which would be a reactive partnership to new business opportunities, but rather we would be very active. One of the areas that we think will have a great success is a joint venture with a number of established companies.

What we're looking at is really putting together the capital behind all the great technological work that has been discussed at this forum. Returns on investment are clearly there. The ability to have access to private capital on the part of entrepreneurs will

transform the industry, certainly clearly bringing out a lot more innovative thinking on the part of entrepreneurs, a lot more innovative thinking on the part of joint venturers and early success in the field will bring additional venture dollars. That, combined with the brain power exemplified by people at this conference, will cause significant changes in people being served in the industry.